



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
PIKE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Pike County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$1,425,707 from the prior fiscal year, resulting in a cash surplus of \$5,526,669 as of June 30, 2000. Revenues increased by \$ 2,960,471 from the prior year and disbursements increased by \$3,203,584.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$5,335,000. Future collections of \$8,553,879 are needed over the next 19 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$6,476,064 as of June 30, 2000. Future principal and interest payments of \$8,608,346 are needed to meet these obligations.

Report Comments:

- The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Treasurer Should Identify A CD In The Name Of Pike County Fiscal Court Building Commission Project #1 Construction Fund
- The Pike County Jailer, Rodney Scott, Should Present An Annual Jail Canteen Report To The Fiscal Court
- The County Should Include All Funds In The County's Financial Statements And County's Budget
- The Fiscal Court Should Appoint Board Members Of The Pike County Golf Management Corporation
- The Fiscal Court Should Comply With KRS 183.132 And Require The Pikeville/Pike County Airport Board To Submit Financial Statements
- The Fiscal Court Should File Financial Disclosures For All Employees Listed In The Code Of Ethics

Deposits:

The fiscal court's deposits were uninsured and uncollateralized by \$432,832 on August 31, 1999.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen F. Gibson, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Pike County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Pike County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Pike County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions of Pike County, Kentucky, as of June 30, 2000, and the revenues it received and expenditures it paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
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Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2001, on our consideration of Pike County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Treasurer Should Identify A CD In The Name Of Pike County Fiscal Court Building Commission Project #1 Construction Fund
- The Pike County Jailer, Rodney Scott, Should Present An Annual Jail Canteen Report To The Fiscal Court
- The County Should Include All Funds In The County's Financial Statements And County's Budget
- The Fiscal Court Should Appoint Board Members Of The Pike County Golf Management Corporation
- The Fiscal Court Should Comply With KRS 183.132 And Require The Pikeville/Pike County Airport Board To Submit Financial Statements
- The Fiscal Court Should File Financial Disclosures For All Employees Listed In The Code Of Ethics

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 26, 2001

PIKE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Karen F. Gibson	County Judge/Executive
J. Lyle Blackburn	Magistrate
Vernon Johnson	Magistrate
James Rodney Keene	Magistrate
Foster Thacker	Magistrate
Lloyd Hilman Dotson	Magistrate
Stirl E. Harris	Magistrate

Other Elected Officials:

Howard Keith Hall	County Attorney
Rodney Scott	Jailer
Lillian P. Elliott	County Clerk
W. David Deskins	Circuit Court Clerk
Charles Keese	Sheriff
Lonnie Osborne	Property Valuation Administrator
Charles Morris	Coroner

Appointed Personnel:

Johnda B. Billiter	County Treasurer
Randal Good	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

PIKE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$ 3,795,780	
Accounts Receivable (Note 4)	199,274	
Road and Bridge Fund:		
Cash	423,467	
Jail Fund:		
Cash	109,044	
Local Government Economic Assistance Fund:		
Cash	1,158,157	
Forestry Fund:		
Cash	5,253	
Maintenance Garage Fund:		
Cash	4,061	
Courthouse Building Commission Fund:		
Cash	33,907	
Payroll Revolving Account - Cash	8,914	
Retirement Account - Cash	(88)	\$ 5,737,769

Special Revenue Fund Type

Federal Grants Fund:		
Cash	\$ 0	
Solid Waste Fund:		
Cash	897,777	
Fords Branch Landfill Closing Fund:		
Cash	996,423	
Local Government Economic Development Fund:		
Cash	225,838	2,120,038

Debt Service Fund Type

Public Properties Corporation		
Cash	\$ 13,536	
Investments	465,276	478,812

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Component Unit

Pike County Interlocal 911 Board Fund:

Cash		\$ 309,371
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Total Assets		\$ 8,645,990
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Other Resources

General Fund Type

Local Government Assistance Fund:

Amounts to be Provided in Future Years for Capital Lease Principal Obligations - Courthouse Renovations (Note 7)	\$ 4,075,984	
Amounts to be Provided in Future Years for Capital Lease Principal Obligations - Courthouse Renovations and Furniture (Note 7)	<u>491,493</u>	4,567,477

Special Revenue Fund Type

Solid Waste Fund:

Amounts to be Provided in Future Years for Capital Lease Principal Obligations - Equipment (Note 7)	\$ 252,491	
Amounts to be Provided in Future Years for Capital Lease Principal Obligations - Solid Waste Vehicles and Equipment (Note 7)	816,000	
Amounts to be Provided in Future Years for Capital Lease Principal Obligations - Road Equipment and Vehicles (Note 7)	<u>840,096</u>	1,908,587

Debt Service Fund Type

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 8)		<u>4,856,188</u>
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Total Assets and Other Resources		<u><u>\$ 19,978,242</u></u>
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The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

Local Government Economic Fund:

Capital Lease Principal Obligation - Courthouse Renovations (Note 7)	\$	4,075,984	
Capital Lease Principal Obligation - Courthouse Renovations and Furniture (Note 7)		491,493	
Payroll Account		8,914	
Retirement Account		(88)	\$ 4,576,303

Special Fund Types

Solid Waste:

Capital Lease Principal Obligation - Vehicles and Equipment (Note 7)	\$	252,491	
Capital Lease Principal Obligation - Solid Waste Vehicles and Equipment (Note 7)		816,000	
Capital Lease Principal Obligation - Road Equipment and Vehicles (Note 7)		840,096	1,908,587

Debt Service Fund Type

Public Properties Corporation Fund:

1997 Refunding Revenue Bonds Principal (Note 8)		5,335,000
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Fund Balances

Reserved:

General Fund Type

Local Government Economic Assistance Fund	\$	1,158,157	
Forestry Fund		5,253	
Courthouse Building Commission Fund		33,907	
Maintenance Garage Fund		4,061	1,201,378

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Reserved (Continued)

Special Revenue Fund Type

Federal Grants Fund	\$	0	
Solid Waste Fund		897,777	
Fords Branch Landfill Closing Fund		996,423	
Local Government Economic Development Fund		<u>225,838</u>	\$ 2,120,038

Component Unit

Pike County Interlocal 911 Board Fund	309,371
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Unreserved:

General Fund Type

General Fund	\$ 3,995,054	
Road and Bridge Fund	423,467	
Jail Fund	<u>109,044</u>	<u>4,527,565</u>

Total Liabilities and Fund Balances		<u>\$ 19,978,242</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PIKE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 21,830,946	\$ 9,053,144	\$ 2,121,361	\$ 1,037,633
Other Financing Sources:				
Transfers In	5,582,721	600,386	2,265,086	605,000
Kentucky Advance Revenue Program	8,444,055	8,444,055		
Lease-Purchase Proceeds	131,278		131,278	
Total Cash Receipts	<u>\$ 35,989,000</u>	<u>\$ 18,097,585</u>	<u>\$ 4,517,725</u>	<u>\$ 1,642,633</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 19,270,857	\$ 7,637,422	\$ 3,788,661	\$ 1,546,675
Schedule of Unbudgeted Expenditures	47,630			
Other Financing Uses:				
Transfers Out	5,582,721	1,421,929	450,000	
Bonds-				
Principal Paid	175,000			
Interest Paid	299,371			
Capital Lease Payments	595,352	27,619	91,360	2,371
Kentucky Advance Revenue Program Repaid	8,444,055	8,444,055		
Pike County Interlocal 911 Board Expenditures	150			
Total Cash Disbursements	<u>\$ 34,415,136</u>	<u>\$ 17,531,025</u>	<u>\$ 4,330,021</u>	<u>\$ 1,549,046</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 1,573,864	\$ 566,560	\$ 187,704	\$ 93,587
Cash Balance - July 1, 1999*	<u>6,864,026</u>	<u>3,229,220</u>	<u>235,763</u>	<u>15,457</u>
Cash Balance - June 30, 2000*	<u>\$ 8,437,890</u>	<u>\$ 3,795,780</u>	<u>\$ 423,467</u>	<u>\$ 109,044</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types				Special Revenue Fund Types	
Local Government Economic Assistance Fund	Forestry Fund	Maintenance Garage Fund	Courthouse Building Commission Fund	Federal Grants Fund	Solid Waste Fund
\$ 4,694,813	\$ 8,305	\$ 802	\$ 1,578	\$ 15,000	\$ 4,137,646
816,929		944,568			
<u>\$ 5,511,742</u>	<u>\$ 8,305</u>	<u>\$ 945,370</u>	<u>\$ 1,578</u>	<u>\$ 15,000</u>	<u>\$ 4,137,646</u>
\$ 2,282,979	\$ 8,208	\$ 941,309	\$	\$ 15,000	\$ 3,050,603
2,485,838					624,568
167,839					306,163
<u>\$ 4,936,656</u>	<u>\$ 8,208</u>	<u>\$ 941,309</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 3,981,334</u>
\$ 575,086	\$ 97	\$ 4,061	\$ 1,578	\$ 0	\$ 156,312
583,071	5,156		32,329		741,465
<u>\$ 1,158,157</u>	<u>\$ 5,253</u>	<u>\$ 4,061</u>	<u>\$ 33,907</u>	<u>\$ 0</u>	<u>\$ 897,777</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	<u>Special Revenue Fund Types</u>		<u>Debt Service Fund Type</u>	<u>Component Unit</u>
	Ford's Branch Landfill Closing Fund	Local Governmental Economic Development Fund	Public Properties Corporation Fund	Pike County Interlocal 911 Board Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 30,507	\$ 139,863	\$ 266,624	\$ 323,670
Other Financing Sources:				
Transfers In	130,000		220,752	
Kentucky Advance Revenue Program				
Lease-Purchase Proceeds				
Total Cash Receipts	<u>\$ 160,507</u>	<u>\$ 139,863</u>	<u>\$ 487,376</u>	<u>\$ 323,670</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$	\$
Schedule of Unbudgeted Expenditures		47,630		
Other Financing Uses:				
Transfers Out				600,386
Bonds-				
Principal Paid			175,000	
Interest Paid			299,371	
Capital Lease Payments				
Kentucky Advance Revenue Program				
Repaid				
Pike County Interlocal 911 Board Expenditures				150
Total Cash Disbursements	<u>\$ 0</u>	<u>\$ 47,630</u>	<u>\$ 474,371</u>	<u>\$ 600,536</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 160,507	\$ 92,233	\$ 13,005	\$ (276,866)
Cash Balance - July 1, 1999*	<u>835,916</u>	<u>133,605</u>	<u>465,807</u>	<u>586,237</u>
Cash Balance - June 30, 2000*	<u>\$ 996,423</u>	<u>\$ 225,838</u>	<u>\$ 478,812</u>	<u>\$ 309,371</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Pike County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Pike County Interlocal 911 Board and the Public Properties Corporation Fund as part of the reporting entity.

The Pike County Interlocal 911 Board (the Board) is a legally separate entity established to provide emergency response services to Pike County. The Board's members are appointed independently of the Pike County Fiscal Court, and the Board's governing body is substantially different from that of the Fiscal Court. However, the Fiscal Court is financially accountable for the Board because the Fiscal Court must approve rate changes established by the Board. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board will be presented directly.

The Public Properties Corporation (the Corporation) is a legally separate entity established to provide long term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity will be blended with that of the Fiscal Court.

Additional - Pike County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Pike County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Pike County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Pike County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Forestry Fund, Maintenance Garage Fund, and the Courthouse Building Commission Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Federal Grants Fund, Solid Waste Fund, Ford's Branch Landfill Closing Fund, and the Local Government Economic Development Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Pike County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to: obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pike County Fiscal Court: Mountain Water District, Pike County Golf Management Corporation, Pike County Housing Authority, and the Pike County Extension Board.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Jointly Governed Organization

Pike County Fiscal Court, in conjunction with the City of Pikeville, has created the Pikeville - Pike County Airport Board (the Board). The Board is composed of six appointed members, three appointed from each of the two participating governments. The fiscal court appropriated \$194,222 to the Board for operating expenses. The Board reimburses the fiscal court for a portion of these operating expenses. The fiscal court had not yet received, but expected reimbursement from the Board in the amount of \$152,316 at fiscal year ended June 30, 2000. We have noted this expected reimbursement as a receivable on our Statement Of Assets, Liabilities, and Fund Balances Arising From Cash Transactions. The fiscal court subsequently received the balance of \$152,316 from the Board.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees' Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond. However, as of August 31, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$423,832 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 967,500
Federal Deposit Insurance Corporation	100,000
Uncollateralized and uninsured	<u>423,832</u>
Total	<u>\$ 1,491,332</u>

Note 4. Receivables

- A. During the fiscal year ended June 30, 1997, the Pike County Fiscal Court and the Floyd County Fiscal Court reached an agreement as to the past due landfill user fees owed by the Floyd County Fiscal Court in the amount of \$214,826. The agreement required one lump sum payment of \$107,000 and monthly payments of \$1,797. During fiscal year ending June 30, 2000, the county received \$23,362 from the Floyd County Fiscal Court. As of June 30, 2000, the total amount due from Floyd County Fiscal Court for landfill user fees is \$30,551.
- B. The Pike County Fiscal Court furnishes payroll processing and accounts payable services to the Pike County Golf Management Corporation, the Pike County Interlocal 911 Board and the Pikeville-Pike County Airport Board. The Fiscal Court is reimbursed from these organizations. During the Fiscal Years 1999 and 2000, the Airport Board made no reimbursement to the county for payroll and lease payment expenditures. As of June 30, 2000, the total amount due to the Fiscal Court is as follows:

Pike County Golf Management Corporation	\$ 19,684
Pike County Interlocal 911 Board	27,274
Pikeville-Pike County Airport Board:	
Payroll and Accounts Payable Service	31,301
Airport Expansion Lease Payments	<u>121,015</u>
Total Reimbursement due to the Pike County Fiscal Court for Payroll and Accounts Payable and Lease Payments	<u>\$ 199,274</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Buskirk McCarr Flood Control Project

The County entered into an agreement with the Department of Army for a flood control project within the county. The agreement requires the county to provide five percent of the total project costs. For the non-federal share of the project, the county entered into an agreement with the Commonwealth of Kentucky to provide 95 percent of the contribution. The Buskirk McCarr Flood Control Project balance at July 1, 1999, was \$100,805, including \$1,431 of interest income. The Commonwealth of Kentucky contributed \$55,000 to the project. Interest income totaled \$6,034 for fiscal year ending June 30, 2000. Project costs paid to the Department of the Army totaled \$150,000. In accordance with the project agreement, \$4,126 was paid to the Commonwealth of Kentucky for net interest income. The project account balance at June 30, 2000, was \$7,236.

Note 6. Lease Purchase Agreements

- A. Pike County entered into a lease agreement with Kentucky Association of County Leasing Trust Program for voting machines. The agreement requires variable monthly payments for 120 months to be paid in full February 1, 2001. The principal balance of the agreement was \$49,000 as of June 30, 2000.
- B. Pike County entered into a lease agreement with Firststar Bank for vehicles and equipment. The agreement requires variable monthly payments for 60 months to be paid in full August 1, 2000. The principal balance of the agreement was \$11,528 as of June 30, 2000.
- C. Pike County entered into a lease agreement with Kentucky Association of County Leasing Trust Program for county airport expansion during the fiscal year ended June 30, 1999. The agreement requires variable monthly payments for 60 months to be paid in full January 20, 2004. The principal balance of the agreement was \$407,000 as of June 30, 2000.
- D. Pike County entered into a lease agreement with Kentucky Association of County Leasing Trust Program for computer equipment during the fiscal year ended June 30, 1999. The agreement requires variable monthly payments for 36 months to be paid in full May 2, 2002. The principal balance of the agreement was \$133,593 as of June 30, 2000.
- E. Pike County entered into a lease agreement with Kentucky Association of County Leasing Trust Program for landfill equipment during the fiscal year ended June 30, 2000. The agreement requires variable monthly payments for 60 months to be paid in full April 20, 2005. The principal balance of the agreement was \$306,625 as of June 30, 2000.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Capital Lease Agreements

- A. Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for courthouse renovations. The agreement requires variable monthly payments for 25 years to be paid in full July 1, 2016. The principal balance of the agreement was \$4,075,984 as of June 30, 2000. The county refinanced the lease agreement for a lower interest rate in the fiscal year 1999-2000. Lease payments for the remaining years are:

Fiscal Year Ending June 30	Scheduled Interest And Other Fees	Scheduled Principal
2001	\$ 180,892	\$ 157,272
2002	173,591	166,890
2003	165,844	177,095
2004	157,623	187,924
Thereafter	1,032,299	3,386,803
Totals	<u>\$ 1,710,249</u>	<u>\$ 4,075,984</u>

- B. Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for additional courthouse renovations and furniture. The agreement requires variable monthly payments for 25 years to be paid in full March 1, 2018. The principal balance of the agreement was \$491,493 as of June 30, 2000. The county refinanced the lease agreement for a lower interest rate in the fiscal year 1999-2000. Lease payments for the remaining years are:

Fiscal Year Ending June 30	Scheduled Interest And Other Fees	Scheduled Principal
2001	\$ 21,818	\$ 18,652
2002	20,958	19,506
2003	20,058	20,398
2004	19,118	21,330
Thereafter	140,853	411,607
Totals	<u>\$ 222,805</u>	<u>\$ 491,493</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Capital Lease Agreements (Continued)

- C. Pike County entered into a lease agreement with Fifth Third Bank for vehicles and equipment. The agreement requires monthly payments of \$14,572 for 60 months to be paid in full November 1, 2001. The principal balance of the agreement was \$252,491 as of June 30, 2000. Lease payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest And Other Fees</u>	<u>Scheduled Principal</u>
2001	\$ 7,682	\$ 166,282
2002	<u>1,224</u>	<u>86,209</u>
Totals	<u>\$ 8,906</u>	<u>\$ 252,491</u>

- D. Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for solid waste vehicles and equipment in the fiscal year 1999-2000. The agreement requires variable monthly payments for 5 years to be paid in full February 1, 2004. The principal balance of the agreement was \$816,000 as of June 30, 2000. Lease payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest And Other Fees</u>	<u>Scheduled Principal</u>
2001	\$ 36,265	\$ 192,000
2002	26,640	200,000
2003	16,621	208,000
2004	<u>6,208</u>	<u>216,000</u>
Totals	<u>\$ 85,734</u>	<u>\$ 816,000</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Capital Lease Agreements (Continued)

- E. Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for road equipment and vehicles in the fiscal year 1999-2000. The agreement requires variable monthly payments for 5 years to be paid in full December 20, 2004. The principal balance of the agreement was \$840,096 as of June 30, 2000. Lease payments for the remaining years are:

Fiscal Year Ending June 30	Scheduled Interest And Other Fees	Scheduled Principal
2001	\$ 40,115	\$ 172,598
2002	30,835	180,527
2003	21,128	188,821
2004	10,975	197,495
Thereafter	1,535	100,655
Totals	<u>\$ 104,588</u>	<u>\$ 840,096</u>

Note 8. Long-Term Debt

In February 1997, the Pike County Public Properties Corporation, a component unit of the Pike County Fiscal Court, issued \$5,875,000 in refunding revenue bonds to refinance the Hall of Justice. The bonds require semiannual interest payments due August 20 and February 20 and one principal payment each year due August 20. The bonds will mature February 20, 2019. As of June 30, 2000, the principal amount outstanding was \$5,335,000. Bond payments for the remaining years are:

Fiscal Year Ending June 30	Scheduled Interest And Other Fees	Scheduled Principal
2001	\$ 290,999	\$ 185,000
2002	281,972	195,000
2003	272,294	205,000
2004	261,976	215,000
Thereafter	2,111,638	4,535,000
Totals	<u>\$ 3,218,879</u>	<u>\$ 5,335,000</u>

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 9. Landfill Closure and Post-Closure Costs

KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed, written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of post-closure care monitoring and maintenance in accordance with the closure plan. The Ford's Branch Landfill closure plan currently calls for six phases. As of June 30, 2000, 80 percent of phase three of the landfill capacity had been used.

Pike County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,000,000, and estimated post closure care costs total \$8,423 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting and in accordance with the laws of Kentucky, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court deposits \$130,000 of solid waste receipts into an account reserved for the landfill closing. At June 30, 2000, the Ford's Branch Landfill Closing Fund had a balance of \$966,423.

The Ford's Branch Landfill is scheduled to close in the year 2022. It is anticipated that sufficient funds will be available in the Ford's Branch Landfill Closing Fund Account to pay estimated closure and post-closure costs.

Note 10. Insurance

For the fiscal year ended June 30, 2000, Pike County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

The Pike County Jail Canteen Fund had income of \$181,698, less disbursements of \$160,740, leaving net income at \$20,958 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

PIKE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 34,694,764	\$ 9,653,530	\$ (25,041,234)
Road and Bridge Fund	2,271,022	2,121,361	(149,661)
Jail Fund	1,072,323	1,037,633	(34,690)
Local Government Economic Assistance Fund	4,506,000	4,694,813	188,813
Forestry Fund	7,000	8,305	1,305
Maintenance Garage Fund	25,000	802	(24,198)
<u>Special Revenue Fund Type</u>			
Federal Grant Fund	1,680,000	15,000	(1,665,000)
Solid Waste Fund	4,239,900	4,137,646	(102,254)
Totals	<u>\$ 48,496,009</u>	<u>\$ 21,669,090</u>	<u>\$ (26,826,919)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 48,496,009
Add: Budgeted Prior Year Surplus			4,809,058
Less: Other Financing Uses			<u>(9,260,158)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 44,044,909</u>

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SCHEDULE OF OPERATING REVENUE

PIKE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>					
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type	Component Unit
REVENUE:					
Taxes	\$ 3,793,833	\$ 3,793,833	\$	\$	\$
In Lieu Tax Payments	12,730	12,730			
Excess Fees	636,208	636,208			
License and Permits	183,469	183,469			
Intergovernmental Revenues	11,579,431	11,544,701	34,730		
Charges for Services	4,466,233	111,226	4,049,910		305,097
Miscellaneous Revenues	396,376	237,220	159,156		
Interest Earned	762,666	398,249	79,220	266,624	18,573
Total Operating Revenue	<u>\$ 21,830,946</u>	<u>\$ 16,917,636</u>	<u>\$ 4,323,016</u>	<u>\$ 266,624</u>	<u>\$ 323,670</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

PIKE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 7,263,576	\$ 3,653,830	\$ 3,609,746
Protection to Persons and Property	2,519,532	2,159,409	360,123
General Health and Sanitation	12,485,894	923,674	11,562,220
Social Services	727,824	688,130	39,694
Recreation and Culture	639,277	550,208	89,069
Roads	3,785,702	3,230,651	555,051
Airports	177,200	175,056	2,144
Other Transportation Facilities and Services	1,013,800	802,110	211,690
Debt Service	312,928	275,892	37,036
Capital Projects	6,944,583	1,638,729	5,305,854
Administration	2,446,171	2,107,565	338,606
Total Operating Budget - All General Fund Types	\$ 38,316,487	\$ 16,205,254	\$ 22,111,233
Other Financing Uses:			
Transfers to Public Properties			
Corporation Bond Fund-	220,752	220,752	
Capital Lease Principal-			
Road Equipment and Vehicles	93,731	93,731	
Vehicles and Equipment	24,342	24,342	
Solid Waste Equipment and Vehicles	4,271	4,271	
Courthouse Renovations	148,944	148,944	
Courthouse Renovations and Furniture	17,901	17,901	
Kentucky Advanced Revenue Program - Principal	8,444,055	8,444,055	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 47,270,483	\$ 25,159,250	\$ 22,111,233

PIKE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	\$ 3,154,634	\$ 2,222,878	\$ 931,756
Capital Projects	1,680,000	15,000	1,665,000
Administration	893,788	827,725	66,063
Total Operating Budget - All Special Revenue Fund Types	\$ 5,728,422	\$ 3,065,603	\$ 2,662,819
Other Financing Uses:			
Capital Lease Principal-			
Vehicles and Equipment	121,172	121,172	
Solid Waste Equipment and Vehicles	179,729	179,729	
Courthouse Renovations and Furniture	5,262	5,262	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 6,034,585	\$ 3,371,766	\$ 2,662,819

SCHEDULE OF UNBUDGETED EXPENDITURES

PIKE COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Local Government Economic Development Fund</u>
Capital Projects -	
Engineering Services	\$ 39,694
Administrative Fees	<u>7,936</u>
Totals	<u><u>\$ 47,630</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen F. Gibson, Pike County Judge/Executive
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Pike County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated June 26, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pike County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Treasurer Should Identify A CD In The Name Of Pike County Fiscal Court Building Commission Project #1 Construction Fund
- The Pike County Jailer, Rodney Scott, Should Present An Annual Jail Canteen Report To The Fiscal Court
- The County Should Include All Funds In The County's Financial Statements And County's Budget

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

- The Fiscal Court Should Appoint Board Members Of The Pike County Golf Management Corporation
- The Fiscal Court Should Comply With KRS 183.132 And Require The Pikeville/Pike County Airport Board To Submit Financial Statements
- The Fiscal Court Should File Financial Disclosures For All Employees Listed In The Code Of Ethics

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pike County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 26, 2001

COMMENTS AND RECOMMENDATIONS

PIKE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

NONCOMPLIANCES

1. The Fiscal Court Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On August 31, 1999, \$423,832 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive's Response:

The County Treasurer and the County Judge/Executive will review all documents to determine if they're legal and binding for the pledge of securities. The County Treasurer receives monthly statements of securities pledged. The County Treasurer will personally monitor the amounts pledged. BB&T acquired Matewan Bank and the person responsible for monitoring pledges and securities changed. We will contact BB&T for a new contact person.

2. The County Treasurer Should Identify A CD In The Name Of Pike County Fiscal Court Building Commission Project # 1 Construction Fund

During the 97-98 audit, we determined the county has a Certificate of Deposit at Firststar Bank, which is not included on the county's financial statement. As of June 30, 2000, the account balance was \$33,907. During the prior year audit, we recommended that the county identify the nature of this account, and begin reporting the fund on the financial statement. The County Treasurer stated she would seek authorization from the Fiscal Court to cash the CD and deposit the funds into the General Fund after consultation with the County Attorney. As of June 30, 2000, the County has not reported the Pike County Fiscal Court Building Commission Project #1 Construction Fund on their financial statement. We recommend the County Treasurer identify the nature of this account, and begin reporting the fund on the financial statement.

County Judge/Executive's Response:

The assistant county attorney has been asked to contact the County Treasurer to assist her with Firststar Bank to ascertain whether the deposit belongs to the Pike County Fiscal Court. After positive identification of the account, we will begin reporting the fund on the financial statement.

PIKE COUNTY
COMMENTS AND RECOMMENDATIONS
June 30, 2000
(Continued)

NONCOMPLIANCES (Continued)

3. The Pike County Jailer, Rodney Scott, Should Present An Annual Jail Canteen Report To the
Fiscal Court

According to KRS 441.135 the county jailer should present an annual report detailing the receipts and disbursements of the jail canteen account. During fiscal year 2000, the jailer did not present an annual jail canteen report to the fiscal court. We remind the fiscal court of their responsibility to monitor the activity of the jail canteen account by reviewing a detailed report of the jail canteen account. Also, we recommend the Jailer comply with KRS 441.135 and present an annual report of the Jail Canteen Account to the Fiscal Court.

County Judge/Executive's Response:

We will ask the Jailer to present his annual report on January 1st of each year.

Jailer's Response:

We will comply.

4. The County Should Include All Funds In The County's Financial Statements And County's
Budget

The county did not include the financial transactions of the Local Government Economic Development Fund as part of the budget or the quarterly financial statements. We found that the Local Government Economic Development Fund earned \$139,863 in interest and rental income, and expended \$47,630 during the fiscal year ended June 30, 2000. Therefore, we have adjusted the county's financial statement to include receipts and disbursements resulting from these transactions. The State Local Finance Officer under the authority of KRS 68.210 requires that all revenue and expenditures be accounted for in accordance with the Uniform System of Accounts. According to the Uniform System of Accounts, the county budget should provide for all the funds to be expended by the county from current revenue for each fiscal year. Therefore, we recommend that the Local Government Economic Development Fund be included in the annual budget and quarterly financial statement.

County Judge/Executive's Response:

Beginning July 1, 2001, all Local Government Economic Development Fund recaptured monies will be accounted for (i.e. receipts and disbursements).

PIKE COUNTY
COMMENTS AND RECOMMENDATIONS
June 30, 2000
(Continued)

NONCOMPLIANCES (Continued)

5. The Fiscal Court Should Appoint Board Members of Pike County Golf Management Corporation

The Fiscal Court did not appoint two Pike County Golf Management Corporation Board Members upon the expiration of their term. Pike County Golf Management Corporation, a related organization of the Pike County Fiscal Court, is composed of seven board members, all of whom are appointed by the Fiscal Court. Two board members' terms expired during fiscal year 2000. These two board members are actively serving on the Golf Course Board, but have not been re-appointed by the Fiscal Court. During fiscal year 2000, the County Judge/Executive nominated two new candidates for the Golf Course Board; however, the fiscal court did not approve the nominees the County Judge/Executive presented. According to the Pike County Fiscal Court's Administrative Code, the board members' respective terms should end in four-year increments, regardless of the effective date of their appointment. We recommend the County Judge/Executive and Fiscal Court follow the county's administrative code, and appoint board members to the Pike County Golf Management Corporation.

County Judge/Executive's Response:

I have attempted to appoint Pike County Golf Board members as well as several other boards. The Fiscal Court arbitrarily declined to approve the appointments. I contacted the Attorney General's Office who informed me that the Fiscal Court must approve the County Judge/Executive's recommendations unless the individual is not of good moral character or not qualified. My administrative assistant is preparing to file a writ of mandamus in circuit court. This order, if issued by the county circuit judge, would require the Fiscal Court to approve my appointments if the nominees meet the requirements or the Fiscal Court will be found in contempt of court.

Subsequent Information:

On July 3, 2001, the County Judge/Executive filed a petition for writ of mandamus in Pike Circuit Court asking the circuit judge to direct the magistrates to approve the nominations to the Board of the Pike County Golf Management Corporation.

PIKE COUNTY
 COMMENTS AND RECOMMENDATIONS
 June 30, 2000
 (Continued)

NONCOMPLIANCES (Continued)

6. The Fiscal Court Should Comply With KRS 183.132 And Require The Pikeville/Pike County Airport Board To Submit Financial Statements

The Pike County Fiscal Court is in violation of KRS 183.132 by failing to examine the financial reports of the Pikeville/Pike County Airport Board. The Fiscal Court currently provides payroll-processing services to the Pikeville/Pike County Airport Board (the Board). In addition, the fiscal court entered into a lease agreement with the Kentucky Association of Counties in the amount of \$499,000 for an airport expansion. The fiscal court minutes state that the Airport Board will reimburse the Fiscal Court annually. However, there is no written agreement between the Fiscal Court and the Board specifying the terms and conditions upon which the Fiscal Court will be reimbursed for lease payments. KRS 183.132 allows the fiscal court access to the accounting records and financial reports of the Board at all times. In addition, KRS 183.132 requires the Board to submit a detailed financial report to the fiscal court annually. The Airport Board does not submit an annual financial statement to the fiscal court, and the fiscal court does not request a detailed financial report from the Airport Board. Therefore, we recommend the Fiscal Court comply with KRS 183.132 and request quarterly financial statements from the Airport Board and examine the financial statements to determine the Pikeville/Pike County Airport Board's ability to reimburse the Fiscal Court for lease payments and payroll-processing.

County Judge/Executive's Response:

We informed the Airport Board that we need detailed monthly and quarterly financial reports. The Deputy County Judge/Executive issued the Airport Board a certified letter on June 10, 2001 requesting monthly and quarterly financial statements beginning July 1, 2000. I am informing the Assistant County Attorney to prepare a written agreement for reimbursement of the lease payments for the airport expansion with terms and conditions.

7. The Fiscal Court Should File Financial Disclosures For All Employees Listed In The Code of Ethics

The Pike County Fiscal Court is in violation of the county's Code of Ethics by not requiring all officials listed in KOC 270.0 to file a Financial Disclosure Statement in the County Clerk's Office by February 15 of each calendar year. During our review of Financial Disclosures filed in the county clerk's office, we noted that only 12 of the 41 required individuals had filed a financial disclosure statement with the County Clerk's office. We recommend the Fiscal Court comply with the county's Code of Ethics by monitoring the Financial Disclosure Statements in the County Clerk's office to determine if all necessary individuals have complied with KOC 270.0.

County Judge/Executive's Response:

We have a list of all individuals who are required to file a financial disclosure statement, and all required individuals who have not filed have been notified. However, we feel that the Ethics Board should be responsible for maintenance of the financial disclosure statements.

CERTIFICATION OF COMPLIANCE - LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

PIKE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

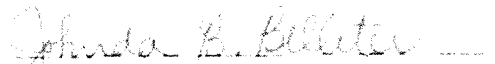
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
PIKE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Pike County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Karen F. Gibson
County Judge/Executive



Johnda B. Billiter
County Treasurer